



Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

the voluminous material upon his subject in manuscript, but he should not have ignored such valuable sources in print as have been edited by Foster, Sainsbury, Hill, and Forrest. His list of authorities, like his footnotes, is casual, unscientific, and quite uncritical. It includes the venerable *Histoire philosophique des deux Indes*, discredited over a century ago, and omits the important modern works of Weber, De Reus, and W. R. Scott. Some credit should be allowed him for his study of contemporary comment upon the East India Company in the eighteenth century, although the net result of his labors in this direction seems to be a few apt quotations which merely serve to confirm what has already been stated more than once before. Without wishing to be too severe upon a young adventurer in the field of economic history, it is the opinion of the reviewer that he would have been well advised to refrain from publication until he had become more thoroughly imbued with the exacting spirit of modern research.

CONYERS READ

UNIVERSITY OF CHICAGO

The Control of Trusts. By JOHN BATES CLARK and JOHN MAURICE CLARK. New York: Macmillan, 1912. 8vo, pp. ix+202. \$1.00.

The aim of this book is to point out a positive policy for dealing with the trusts. It stops short of suggesting definitely formulated legislation, but brings out admirably the proper point of view from which legislation should be enacted. It is clearly expressed, carefully thought out, makes easy and pleasant reading, and is a valuable contribution to the literature on the subject.

The thesis of the book may be briefly summarized as follows: The natural and proper means by which to regulate the trusts is competition. It is the natural means because in the great majority of businesses competition can exist and ought to exist. It is the proper means because competition can accomplish more as a regulative force, both as regards prices to the consumer and as regards progressive commercial methods, than any possible law. The trust problem, so far as essentials go, consists, therefore, in providing a fair and open path for competition.

It is true that in certain businesses such as the making of gas and electricity, for example, and in general in that class of businesses known as public utilities, competition involves an economic waste. In the course of time it is possible that this class will be enlarged by at least

some businesses not at present considered to belong there. As to public utilities, it is now well recognized that the proper method of treatment consists in strict government supervision and regulation through a commission which has power to fix prices. Indeed, for such businesses government ownership is a logical, though probably neither a necessary nor a desirable step.

In the great industrial world lying outside of this limited field, however, business is not naturally non-competitive. While it is true, broadly speaking, that things are done better and more cheaply in a large way than in a small way, this by no means signifies that the natural trend of fair and free trade is toward monopoly. It is not true that the larger a business becomes the greater is its efficiency. Indeed, so far as the evidence goes, it is clear that in ordinary commercial affairs a concern may increase in size to the point at which it has acquired all the efficiency which may be fairly said to be due to handling things on a large scale without in any way acquiring such a domination of the trade as to become a controlling element. Many of the trusts are composed of units which in themselves are as large as any efficiency argument can require. The pertinent question asked on p. 196, "Would the Carnegie Company have suffered seriously in its industrial efficiency if it had never joined the steel trust?" covers this branch of the subject as well as pages of statistics could do. In the ordinary, business competition represents the natural condition of affairs.

As a matter of actual fact, the great trusts have not been a natural growth, but have been formed with the purpose of acquiring control of the general situation in certain given trades. If they were made to stand solely on the basis of industrial efficiency, the lives of most of them would be short. Compelled to pay dividends on the basis of false values, they are peculiarly subject to competition, potential as well as existing. "The mill that has never been built but is ready to be built, under certain conditions is still a controlling power" (p. 26). Under existing circumstances, however, competition does not have a fair chance to do its work.

What is needed in order to give competition the opportunity to act as a properly regulating force is, first, knowledge of the operations, financial and otherwise, of the great combinations; and second, assurance that the competitor shall not be clubbed to death by means of unfair methods of competition. Now that railroad discriminations have been stopped, the principal unfair methods of competition occur when the trusts lower the selling price of their products in one locality while maintaining it elsewhere; and when they impose on purchasers restrictive

terms which are aimed at competitors. All this was recognized in the decisions and opinions of the Supreme Court in the Standard Oil and Tobacco cases which represent the enlightened and true view of the situation. The general principles laid down in those decisions should, however, be reduced so far as possible to precise statute law. Legislation should definitely cover everything which can be covered definitely, and the rest of the field left to a commission to handle somewhat in the way in which the Interstate Commerce Commission deals with the railroad situation, though power to fix prices need not be given to such a commission. The result will be this: "We shall have big plants, so far as bigness is essential to efficiency, and we shall not be burdened with the swollen and unnatural growth that comes from trying to absorb all possible competitors, and that then results in burdening the merger with inefficient plants which the rest must carry as dead weights" (p. 188). As to the argument which some persons persist in maintaining, that competition as a vital force in business life is played out, it is suggested that "those who think that we shall have to come to the policy of fixing prices by official authority should prove the correctness of their claim by first giving competition a fair chance to do its work, and seeing whether the expected failure ensues" (p. 133).

To the above views those who have carefully studied the question will be inclined to give a hearty adherence. Although the authors state at the beginning of chap. vii that doctors disagree on the subject, it seems to be pretty well accepted by the majority of writers and thinkers that the position taken by this book is unquestionably sound.

It is worth noting that certain incidental matters which have not before been so clearly treated are here dealt with in some detail. Much emphasis is put on the necessity of maintaining conditions which will insure progress in business methods. It is suggested that a monopoly controlling a trade is inclined to sit back content with what it has unless forced by competition along the ever-open road of progress.

There is also an interesting discussion of the effect of monopolies on wages. It is shown that while monopolies sometimes pay their own workmen more than the wages received by other workmen in the same trade, this does not indicate that labor generally owes a debt of gratitude to the trusts. There must also be considered the condition of the men whom the trusts turn off when plants are closed and production restricted, and the effect of this unemployed body of men on the general labor market. Another sensible discussion relates to the effect of the tariff on trusts. It is recognized that the tariff question is not inherently a part

of the trust problem. But it is also recognized that a protective tariff so high as to be prohibitive to European producers even when extortionate prices are secured here leaves the trusts a great incentive for crushing independent rivals. The tariff should be reformed so that foreign competition may enter at a period when such extortionate prices exist, but there should always be a margin of protection sufficient to secure a field for home competition alone.

As has been said, this book is clear and sensible. Such faults as it has are due to the difficulty of coming to a precise and definite result in dealing with this intricate subject. The reader finds familiar ideas clarified and new ones suggested, but does not feel that the problem is settled. Indeed that would be too much to ask of any book.

ROBERT L. RAYMOND

BOSTON, MASS.

The Courts, the Constitution, and Parties: Studies in Constitutional History and Politics. By ANDREW C. McLAUGHLIN. Chicago: The University of Chicago Press, 1912. 12mo, pp. vii+299. \$1.50 net.

This volume is composed of five papers or addresses given by the author upon various recent occasions, dealing with the topics indicated in its title. Two of them are careful historical discussions of the origin of the American doctrine that courts can declare acts of the legislature void; a third shows the influence of theories of political philosophy upon the antebellum controversy regarding the nature of the Union; and the remaining two consider the significance of American political parties and their real function in popular government.

To the reviewer the two papers first mentioned seem to be contributions of great and permanent value to the discussion of their topic, and perhaps the most important since Professor Thayer's well-known essay upon the subject. The theory of social compact and the earnest desire to limit government by some power outside of itself, both inherited by the colonial Englishmen of the eighteenth century from their political forebears of the Rebellion in England, are convincingly shown to have been the really effective influences in launching and sustaining the doctrine that an unconstitutional act of the legislature may be disregarded by the courts. As becomes a sound lawyer as well as a careful historian, Professor McLaughlin does not fail to point out what current discussions commonly ignore, that this is conceived as no duty peculiar to the courts, but that it rests equally upon all other officers of government, or, for that